

**Council for Economic Renewal
Wales TUC background note for 25th July 2016 meeting**

Responding to Brexit

1. The decision to leave the European Union has the potential to have a massive, negative impact on jobs, investment and employment rights for workers in Wales and the rest of the UK.
2. As was the case with the financial crisis and the austerity agenda, it is likely that the people and communities worst impacted as a result of Brexit will be those already facing serious economic and social challenges. There needs to be an overarching Welsh government view and strategy to take account of the changed circumstances.
3. The Wales TUC has proposed that the First Minister convene an all Wales summit to identify and promote a Wales national plan in response to Brexit.
4. The summit should fully engage every level of government in Wales (including the WLGA and Wales office), as well as the key public & private sector social partners. Relevant organisations with expertise in the area of structural funds and from the most impacted industrial sectors could also be included. Given the need for full political engagement in the discussion we believe that the official opposition should also be involved in the summit. We would also see the national plan involving mechanisms for future social partner engagement in delivery and review.
5. A summit should not be seen as replacing the role of the Workforce Partnership Council, the structural funds Programme Monitoring Committee or the Council for Economic Renewal. We see each as being important in helping to shape aspects of the overall discussion which is required - but none of them are adequate in and of themselves.
6. In making this proposal the we are seeking input into a Welsh national plan which is both for the Welsh government to deliver in Wales and also for the Welsh government to take direct to the UK Prime Minister and Brexit Minister rather than via a Westminster territorial ministry. It is essential that the First Minister of Wales has an as of right seat at the UK / EU negotiating table.

Industrial Strategy for Fair Work & Prosperity

7. The Wales TUC 'Better Jobs, Closer to Home' campaign identified the link between concerns about the prospects of decent work, economic deprivation and support for Brexit. Our polling showed that negative views about immigration were not as pronounced as in other parts of the UK and rated far lower in self-identified concerns.
8. This is not at all to downplay the significance of the activities of racists who used the referendum and are using Brexit as a vehicle for their hate. There is a need for a focus on anti-racism, community cohesion and tackling hate crimes.
9. However real delivery on decent work for the 'left behind' areas remains absolutely fundamental for the future of Wales whether in or out of Europe.
10. There is an urgent need for the development a written industrial strategy for Wales with specific, measurable fair work and social justice outcomes. Central to this must be the prioritisation of resources to focus on areas of entrenched economic and social disadvantage in order to support social solidarity across Wales' economy and society.
11. Encouraging economic growth in terms of overall Wales GDP/GVA measures is important but will not be sufficient to tackle poverty in a meaningful way. This is particularly the case if it is simply assumed that increasing prosperity in the economic centres/cities of a region will automatically reduce poverty in the deprived areas.
12. Planned, strategic Government intervention is required to address what is a fundamental market failure in areas like the Valleys. Merely encouraging the existing market to develop more quickly along the existing lines, will just serve to reinforce the existing economic unfairness.
13. Maintaining large communities in disadvantage and poverty will always damage overall Welsh economic performance. Unless areas like the Valleys are helped to prosper, Wales as a whole will not succeed – and what is more Wales will not deserve to succeed.

14. Investment in skills and infrastructure are absolutely central to spreading prosperity. However these must be firmly set in a wider context of planned, co-ordinated, strategic interventions with measurable outcomes for people in the communities which are most affected by low wages, precarious work, unemployment and wider social disadvantage. The last drop of better jobs value must be squeezed from every investment and every programme. Nothing should be seen as an activity in isolation.
15. Support for a strong and stable manufacturing sector is essential to securing quality jobs in Wales within a more sustainable and productive sector. This should be recognised as a unique priority as the benefits of manufacturing reach across many of the social aims pursued by the Welsh government.
16. Efforts made by the Welsh government to save our steel industry are welcome and this continues to be treated with urgency. There must be equal commitment and substantial investment from the UK government to support this vital industry.
17. Key sectors - such as automotive and aerospace - require certainty on post Brexit tariff free access to the single market and the ability to operate in Wales as partners in cross European ventures. The Welsh government need to fully explore any potential for a Wales only arrangement with the European Union on terms suitable to the needs of our key anchor companies.
18. There are limited economic levers at the disposal of Welsh government therefore we need to maintain as much as possible within our public control, for example by avoiding hiving off valleys rail maintenance as a private concession or outsourcing public services.
19. It is welcome news that the Transport for Wales headquarters will be located in the valleys. Other similar moves will be required to address the jobs and perception shortfall of the area and the Welsh government must use all of its influence to ensure that Welsh operations seriously seek a Valleys location. There was a significant missed opportunity when the publicly funded BBC Wales decided to move its HQ from Llandaff even further into Cardiff. That must not be allowed to be repeated.
20. There is a pressing need to 'increase the ask' on companies which seek Welsh government assistance by way of either grant funding or other project support.

This is equally as true of companies which make their profit from trading in Wales.

21. There can be no reason why we should not put conditions on industrial support related to the employment of disadvantaged workers, training and other social benefits.
22. Innovative methods, along the lines of the carrier bag tax, should be considered such as, for example, the potential for placing a community social justice charge on large supermarkets which can be rebated if the business employs local disadvantaged workers and sources produce locally.

Procurement

23. Getting the best social value from Welsh public spending has long been a Wales TUC policy priority. The community benefits approach and the use of Procurement Advice Notes to tackle blacklisting are examples, as is the reservation of contracts for employment hubs in deprived areas.
24. Every cloud has a silver lining and the very black cloud of Brexit does open the potential for increasing the social use of procurement. It is important to recognise and act on the new flexibility that Welsh government now has to ensure public procurement policy is directed towards fair work and social justice outcomes.
25. As well as delivering employment and training in areas of high deprivation, procurement policy can achieve decent work goals by including the protection of worker's rights, the enforcement of collectively bargained terms & conditions and the extension of trade union recognition. There is also more flexibility around focussing and directing spend to support aims such as tackling economic & social disadvantage without raising issues around state aid.
26. There should be a substantive review of all the aspects of procurement policy in the light of these radically changed circumstances and the pivotal role effective procurement can play in supporting the Welsh economy through a difficult period.

Skills and Employability policy

27. A proactive and well-resourced skills and employability policy will be central to any effective strategy aimed at delivering better jobs closer to home.
28. Too often provision is focussed on filling minimum course participation requirements rather than addressing the individual needs of the learner. The disadvantaged worker can be passed from one programme to another often with lengthy waits between engagements and often with no continuity of support. An effective skills and employability policy should not take the form of a series of programmes or courses but should be a single all age intervention which provides seamless bespoke support for individuals and provides clear routes of progression.
29. It is as important for success that in-work progression is delivered as part of the skills and employability policy. Too many workers miss out on personal development, career progression and therefore the chance of achieving better jobs for themselves. Lack of progression from entry level employment also creates a further barrier to unemployed people and new labour market entrants.
30. There is a need for full integration of the work programme into this approach. It would be preferable for the work programme to be devolved but, should this not be immediately achievable, it is vital for the Welsh government to be able to act as the work programme 'commissioning agent' for Wales in order to ensure that a single seamless approach is delivered.

EU structural funds

31. Wales has benefitted hugely from European Union Structural Funds. While we have previously expressed some concerns about the unfocussed geographic impact and outcomes of some projects; there are major infrastructure developments and exceptionally positive training programmes which rely on these European funds. It is essential that the existing project commitments are guaranteed and the current round of structural funds is completed.
32. For the period of the current programme, Wales must be compensated from UK funds for every penny of EU funds which is lost to us by Brexit. In the longer term, when the inherent Barnett underfunding of Wales is dealt with in

the context of a fair financial settlement, the replacement of structural funds must be an additional element not incorporated into what Wales was already owed before Brexit.

33. While many EU supported projects are of major significance it must be emphasised that the delivery of Valleys Metro project is of unique and vital importance for Wales' most deprived area. It is an economic game changer and central to the development of the Valleys as a vibrant centre in its own right. The Metro must be prioritised, protected, fully funded and fully integrated into the Wales national response to Brexit.

Delivery structures

34. A whole government approach should be supported by structures which are clear, simple and focused on the delivery of all Wales policy outcomes.
35. The implementation of an industrial strategy (particularly in relation to the valleys taskforce) should overcome government departmental silos with a dedicated civil service delivery team. This requires senior executive leadership which commands authority across government and which is tasked with the priority of delivering measurable outcomes against the strategy.
36. For a small country, Wales has a mind-numbing plethora of bodies which impact upon economic development. This includes city regions, enterprise zones, learning & skills partnerships, sector groups, advisory forums, advisory boards, task groups, task & finish groups, task & never finish groups, partnership boards, local business forums, ambition boards, employment & skills boards. Unfortunately, the list is not exhaustive.
37. The existing ad hoc structure is inadequate and is not fit for purpose – particularly in the context of the challenges we face from Brexit. Lack of role clarity, overlapping remits, local empire building and mysterious membership appointment processes all mitigate against the delivery of any kind of strategy. It would soon undermine the delivery of tangible, measurable fair work and social justice outcomes in an all Wales industrial policy.
38. The Council for Economic Renewal should change with a much smaller core membership and the ability to temporarily co-opt specialist expertise for particular issues. There is a very strong argument for CER to replace the Wales

Employment and Skills Board with the Wales skills commissioner joining the council.

39. The revised forum requires an unrelenting focus on outcomes and should become the single forum for Welsh government to engage meaningfully with the economic social partners on an all Wales basis. It should have real influence in designing, delivering and reviewing the all Wales industrial strategy. This could be reinforced by a name change to reflect its new focus, for example the Wales Industrial Strategy Partnership, however function is far more important than title.
40. The regional economic and skills bodies should be immediately reviewed and replaced with a streamlined, fit for purpose and intelligible structure. The new bodies must be given specific remits, appropriate governance and memberships with full social partner involvement. They should have transparent, clearly defined and outcome focused work programmes. They should be subject to requirements for reporting on delivery to Welsh government and the Wales social partnership forum.
41. The adage that form follows function was never more disregarded than in the field of Welsh economic committee-dom. The significance of the challenges posed by Brexit must surely now demand an immediate review and substantial change.